

The *Educated Investor*



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What a Summer in BC

Our thoughts are with those who have had to endure the stress of the BC Wildfire season either directly or through contact with friends and family. It has been a tough 6 months for many in BC between the flooding and the fires. We hope the coming months bring some much needed relief as fall approaches.

As the kids get ready to head back to school we will again focus on educational topics that have come up over the past few months in hopes of providing our clients, friends and family with information to make sound financial decisions. As always, thank you for your continued support, trust and referrals. We are lucky to have such wonderful clients!

Proposed Changes for Corporations

On July 18 a consultation paper was released by the Department of Finance identifying tax planning areas where the government felt owners of private corporations have gained unfair tax advantages. Specifically it looks to draft legislation to address the following issues:

- Income splitting;
- Multiplication of the capital gains exception;
- Holding passive investment portfolio inside a private corporation, and
- Converting a private corporation's regular income into capital gains.

The government is seeking input on its proposals by October 2nd, 2017. We have reached out to our known clients who may be impacted. If you would like further information on this topic for yourself or to share with others please give us a call.

Victoria Youth Orchestra

Did you know Cristian is an ongoing season sponsor of the Victoria Youth Orchestra? Although many years removed from playing music, he still loves all music especially as it relates to kids. As a season sponsor he occasionally has tickets and would be happy to share with those who would like to go. Just give Paula a call.



RBC Wealth Management
Dominion Securities

Redefining Investment Risk

For years the investment community has struggled with an appropriate definition of risk. This has constantly been a challenge as it is a mandatory requirement that investment advisors meet with our clients to fill out forms as a guideline for establishing the client's needs and risk parameters. Recently, RBC Dominion Securities has been working on establishing a set of rules that allow advisors to ascertain which risk "bucket" the investment falls into: low, medium, medium-high or high.

Now some investment classifications will seem obvious such as a GIC is considered low risk given CDIC insurance, while a small marijuana startup company with no earnings would obviously be classified as high risk. However, RBC DS has concluded that price volatility should also be considered when reviewing risk. This is where things become less obvious. When considering price volatility, a well-known large cap profitable company might fall into the high risk category if its price has widely fluctuated in the past 12 to 24 months. Many Canadian mining stocks fall into this category like Teck Resources as well as US health care and technology stocks.

While no measure of risk is perfect, these parameters are designed to help provide guidelines for myself and other RBC DS advisors to classify investments rather than just offer a best guess. It is also important to consider the same price volatility which makes a security high risk at time of purchase may also be the trading opportunity we are seeking for our clients. Our goal is not to seek high risk for portfolios, but as definitions evolve we must update our paperwork to allow for such investment opportunities.

As my team and I talk with clients over the coming months, we may have a discussion around this topic. In some cases we may look to allocate a small percent of your portfolio to high risk as per the firms evolving definitions. This will be done where appropriate and after discussing the matter with each client. If you have any concerns or questions please do not hesitate to call our office.

Introducing Nicole Byrne

On July 31st, Cheryl gave birth to a beautiful baby girl Olive Jeanne. We wish Cheryl, Jeff, Brady and Olive the best as Cheryl will be on maternity leave for the next year. With that, I am excited to introduce Nicole Byrne to our team. Nicole helped us on two occasions as a co-op student through the UVic Economics program over the past 4 years. Now graduated, we welcome Nicole to our team and her new adventure!

Team Update

- Our office will be closed for the September 4th Labour Day weekend.
- Cristian had a great 2 week holiday in smoky Okanagan and humid Kingston with his family seeing his extended family and meeting his new niece, Addy. He is looking forward to an active fall playing hockey again and coaching Kai's fall baseball team.
- Tylor had a nice holiday as well, however was unable to visit the family cabin due to the wildfires. Makena and Kelsie were happy to go to Whistler instead.
- Paula will once again be travelling the world this fall as she leaves for holidays October 2, returning October 23rd seeing Barcelona, Albania, Croatia, Italy and Greece. Wow!

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